

VZCZCXRO5470
PP RUEHCHI RUEHDT RUEHHN
DE RUEHHM #0927/01 2330600
ZNR UUUUU ZZH
P 210600Z AUG 06
FM AMCONSUL HO CHI MINH CITY
TO RUEHC/SECSTATE WASHDC PRIORITY 1316
INFO RUEHHI/AMEMBASSY HANOI PRIORITY 0923
RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHHM/AMCONSUL HO CHI MINH CITY 1384

UNCLAS SECTION 01 OF 02 HO CHI MINH CITY 000927

SIPDIS

SENSITIVE
SIPDIS

E.O. 12958: N/A
TAGS: [PGOV](#) [PREL](#) [ECON](#) [EFIN](#) [PHUM](#) [EAID](#) [VM](#)
SUBJECT: AMBASSADOR MEETS NEW HCMC LEADERSHIP: PEACE CORPS AND
POST-WTO ECONOMIC DEVELOPMENT

REF: HANOI 2051

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¶1. (SBU) On August 3, the Ambassador met with Ho Chi Minh City (HCMC) Party Secretary and Politburo member Le Thanh Hai and HCMC People's Committee Chairman Le Hoang Quan, both promoted to their new positions after the April National Party Congress. The Ambassador underscored the USG's support for Vietnam's earliest possible entry into the WTO. He lauded the work of the National Assembly in pushing legislation and reforms needed for Vietnam's WTO transition. The Ambassador underscored that, by creating a robust and transparent economic and legal environment, Vietnam will position itself to attract increased flows of foreign direct investment (FDI). As one of Vietnam's key economic hubs, HCMC is at the frontline of this effort; for example, its success in securing the USD 300 million Intel investment paves the way for additional FDI in the high-tech sector for the city and the country.

¶2. (SBU) The Ambassador stressed that effective rule of law was critical to robust economic growth. Unfortunately, he has heard concerns expressed by U.S. and foreign investors that the sanctity of contracts in Vietnam sometimes is not respected. This problem needs to be addressed to retain and attract foreign investment. The Ambassador told Hai and Quan that rules should be transparent and that all officials -- down to the lowest level -- need to be trained on implementing Vietnam's post-WTO legal framework so they can respond to new demands. In both meetings, the Ambassador noted the challenges that HCMC faces in dealing with a growing population, especially as migrants comprise up to 35 percent of the city's population. He commended HCMC for its work in supporting religious freedom and added that it is important for Vietnam to continue to advance this issue to be taken off the list of Countries of Particular Concern.

PEACE CORPS

¶3. (SBU) In both meetings, the Ambassador highlighted the concurrent visit of a Peace Corps delegation seeking to assess the viability of opening a program in Vietnam (reftel). He described the Peace Corps program for the HCMC leaders and emphasized the benefits of having at least 15 volunteers in HCMC -- three at each participating university. He stressed that a pilot Peace Corps program in Hanoi and HCMC would be an important symbol of progress in our bilateral relationship. The Ambassador urged Quan to work with the Ministry of Education and Training to learn more about the Peace Corp program and how it fits with HCMC's development goals.

¶4. (SBU) Both Hai and Quan welcomed improved bilateral ties and the upcoming visit of the President to Vietnam. Both Hai and

Quan were noncommittal on the Peace Corps proposal, saying that they would follow Hanoi's lead. On economic development matters, Secretary Hai asked the Ambassador if the United States could adopt Japan's model and provide official development assistance (ODA) to build infrastructure. Hai argued that Vietnam needed ODA "to prepare to receive FDI." He said that although HCMC has called for private investors, the infrastructure projects are too big and private investors "cannot afford to participate." He added that "the private investment level is hard to grow." The Ambassador told Hai that the United States does not provide Japanese-style ODA. He emphasized that private sector investment for large-scale projects was possible if the deal were structured properly.

15. (SBU) Quan, who succeeded Hai as People's Committee Chairman, said he recognized that HCMC must learn from other countries experiences and that, in a globally integrated economy, HCMC's biggest challenge was to remain competitive. His focus was to increase local government awareness of the post-WTO legal framework, improve training for government officials, improve general living standards and maintain social stability. He did not offer any concrete proposals, however. Quan emphasized that that "ensuring social stability" was key to attracting foreign investors and to encourage overseas Vietnamese to return. Touching on the Intel investment, he said that he would seek to continue HCMC's expansion into new economic sectors and transform HCMC into the national hub for highly skilled workers.

16. (SBU) Comment: There was nothing new in the remarks from the HCMC leaders. Hai's focus on ODA as the resolution to HCMC's infrastructure problems instead of looking to the marketplace, in fact, was somewhat disappointing. Some HCMC Party and business contacts continue to fret that Hai -- a consummate political insider -- and Quan -- a Party man with little big government experience -- do not have the skills to manage an economy as large and complex as HCMC's. They rue the Party decision to promote former HCMC Vice-Chairman Nguyen Thien Nhan to Hanoi as Minister of Education and Training. Nhan, they say,

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was the technocrat that kept the HCMC economy moving forward.
End Comment.
WINNICK